

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

ACTIVE MEMBER
EDITION



February/March
2008

2008 Session of the Kentucky General Assembly

The 2008 General Assembly officially began on January 8th. As an "even year" session, the Legislature convened for sixty (60) days instead of thirty (30) as it does in the shorter "odd year" sessions. As an even year session, a new state budget for the 2008-2010 biennium will be prepared. The General Assembly will initially meet for fifty-eight (58) days before temporarily recessing on April 1, 2008 for the "veto period" during which the Governor may veto any legislation that has been passed thus far. The General Assembly is then scheduled to reconvene for two days beginning on April 14th to consider overriding any legislation vetoed by the Governor. The Session is scheduled to come to a close on April 15, 2008 when the General Assembly adjourns sine die. This schedule is subject to some ad hoc adjustment by the General Assembly although under no circumstances may it exceed sixty (60) total meeting days.

Some of the more important bills currently pending before the General Assembly are as follow:

House Bill 470

House Bill 470 contains the KTRS housekeeping proposals. Most of these proposals were also contained in last year's housekeeping bill, House Bill 461, that failed to become law. House Bill 470 largely provides technical and clean-up amendments that do not change current practice. A few of the highlights are as follow:

- Request that retirees be allowed to use out of state K-12 service in calculating their Daily Wage Threshold even if they have not purchased their out of state K-12 service.
- Request that a minimum Daily Wage Threshold be established.
- Request that members be allowed to remove their ex-spouses as beneficiaries even if they miss the sixty-day deadline to do so. This would not permit members to increase their retirement allowance or "pop up" to an Option I

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Deadline for the Purchase of 2006-07 Service Credit is Approaching

Members who were granted leaves of absence in the 2006-07 year should contact KTRS about purchasing the unpaid days covered by the leave of absence. Leaves of absence granted during 2006-07 may be purchased as a current leave of absence if purchased by June 30, 2008. After that date, the 2006-07 leaves of absence are purchasable only as a non-current leave of absence. Current leave of absence purchases are less expensive than non-current leave of absence purchases. If your present financial situation does not permit you to purchase your 2006-07 leave with a lump sum payment before the June 30th deadline for current leave of absence purchases, you may still be eligible to purchase your 2006-07 leave as a current leave of absence by entering into an installment payment contract with KTRS before the deadline. To be purchasable by installments, the total cost of purchasing the leave, with interest, must exceed \$1,000. The minimum contract term is 12 months, the maximum is 60 months. Monthly payments must equal to at least \$50.00. Please contact KTRS to determine whether your leave of absence qualifies for an installment payment purchase.

The deadline for purchasing a 2006-07 leave of absence as a current leave of absence is June 30, 2008.

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equivalent in the event that their ex-spouse later predeceases them.

- Request funding for an "ad hoc" Cost of Living Adjustment (COLA) in addition to the fixed 1.5% COLA provided every July 1 for members who have been retired at least twelve months (pro rata COLAs are provided to members who have been retired for less than 12 months). At this point, however, funding does not appear forthcoming to provide ad hoc COLAs for the next two years (see Executive Budget heading).
- The request for an extension of the 100-day program that was contained in last year's House Bill 461 is not contained in this year's legislation for the reason that that program sunset effective June 30, 2007.

None of these requests would become law unless approved by the General Assembly and the Governor. Therefore, it is very important to read future KTRS newsletters carefully for further developments as either all, some, or none of these requests may eventually become law. The same is true for the other items of legislation discussed in this newsletter.

Senate Bill 65

Senate Bill 65 would provide university employees participating in the optional retirement plan (ORP) a six-month window to switch to KTRS after the time that tenure is normally achieved (six years), and to purchase their prior service under the ORP as service credit in KTRS. This bill would also provide all university employees, even those beyond the six-year and six-month window, a one-time opportunity to switch to KTRS and purchase prior service. This opportunity would expire on December 31, 2008. And finally, this bill would provide an alternative payment plan for the universities to satisfy their share of the unfunded liability of KTRS that would otherwise not have been paid with the introduction of the ORP.

The Executive Budget

The Executive Budget proposed for the 2008-2010 biennium allocates very limited financial resources among numerous competing agencies and groups in an effort to satisfy the many important priorities and needs of the Commonwealth.

House Bill 406, as proposed, and as it affects KTRS, provides the following:

- Funding for employer contributions.
- Payments for past cost of living increases.

- Payment for sick leave.
- Minimum value benefit adjustments.
- Amortized payments, with interest, on the amounts that were borrowed from the pension fund to pay for current medical costs for retirees.
- Continues the practice of borrowing from the pension fund to pay for medical insurance costs during the 2008-2010 biennium.

House Bill 406, as proposed, and as it affects KTRS, does **not** provide for the following:

- A requested supplemental employer contribution for the pension fund as recommended by the actuary.
- An ad hoc cost of living adjustment. Unless legislative changes are made, the COLA for July 1, 2008 and July 1, 2009 will be 1.5 per cent each year as provided by statute.

The KTRS Board of Trustees will devote its attention to continuing a good working relationship with the Governor, General Assembly and others in an educational effort that emphasizes the importance of retaining medical benefits for retirees and funding of the pension plan in a sound manner.

Once the 2008-2010 budget is enacted by the General Assembly, the results as it applies to KTRS will be reported to the membership.

~ House Bill 600 ~

This bill, known as "The Kentucky Public Pension Protection and Modernization Act", was drafted by Governor Beshear's administration and was unveiled to the public on February 21, 2008.

Proposed statutory changes for both the Kentucky Retirement Systems (KRS) and Kentucky Teachers' Retirement System (KTRS) are included in the bill. Traditionally, changes of this nature have been treated in separate bill proposals for each retirement system.

Current Members and New Members

It is important to remember that the changes proposed to the current KTRS law by HB 600 affect only new members employed in a KTRS position on or after July 1, 2008. Benefits for members employed before July 1, 2008 as well as retirees are not impacted.

Any statutory changes that may impact new members joining KTRS on or after July 1, 2008 will be communicated in a later newsletter following the close of the legislative session.

KTRS Board of Trustees

House Bill 600 proposes to place a limit of three consecutive four-year terms for elective members of the KTRS Board of Trustees. After an absence of four years, an elective trustee may be elected again to serve on the Board of Trustees.

Elective Board of Trustees members in the past have not had nor do they currently have any statutory limitations.

Kentucky Public Pension Financing Advisory Commission

House Bill 600 proposes to create the Kentucky Public Pension Financing Advisory Commission.

Senate Committee Substitute to HB 600

The Senate filed a Committee Substitute to HB 600 on March 12, 2008. The Senate Committee Substitute to HB 600 made no changes in the provisions for KTRS. It did, however, set the composition of the Advisory Commission to seven members with investment experience, three of whom are appointed by the Governor, two of whom are to be appointed by the President of the Senate, and two of whom are to be appointed by the Speaker of the House. The Senate Committee Substitute will be sent to the House for concurrence.

Neither version of the bill has passed and additional changes could still be made.

KTRS will keep the membership apprised concerning the status of this **proposed** legislation.

Disability Earnings Limitation

In 2002, the General Assembly enacted legislation that permitted new disability retirees to earn in permitted employment a sum, that when added to their disability retirement allowance, would equal, but not exceed, \$40,000. Retirees who exceeded this total disability retirement allowance/earnings limitation would be subject to a dollar for dollar reduction in their disability retirement allowance. This provision was codified in KRS 161.661(12) and

Filing Deadline for June 1st & July 1st Retirements

As a reminder, if you are **anticipating a June 1, 2008 retirement date** you must file your retirement application with KTRS no later than May 1, 2008. Retirement applications that are mailed to KTRS must be postmarked no later than May 1.

If you are anticipating a July 1 retirement date, you must file your retirement application by June 1 and applications received by mail must be postmarked no later than June 1.

For the other ten months of the year, members may file their retirement applications on or before the first day of the month in which they wish to retire.

The reason for the one-month advance filing deadlines for June and July retirements is that these are by far the busiest retirement months of the year and the earlier filing deadlines provide KTRS counselors with much needed time to process retirement applications and ensure timely payment of retirement allowances.

permitted the Board to occasionally increase the earnings limitation by the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5%. At its December 17, 2007 meeting, the KTRS Board of Trustees increased the \$40,000 earnings limitation by the previous year's CPI so that beginning in calendar year 2008 the earnings limitation is now \$41,280.

Supreme Court Ruling on Treatment of Teachers' Pensions in Divorce Proceedings

Under the KTRS statutes, there has been for many years a provision that clearly states that during dissolution of marriage proceedings (divorce) teachers' retirement allowances are not subject to classification or division as marital property and that they cannot even be considered as an "economic circumstance" when dividing other assets of the marriage. In other words, teachers' retirement allowances could not be considered at all during a divorce. This provision is codified under KRS 161.700(2).

In the late 1990's, however, this protection became less certain when a divorce statute, KRS 403.190(4), was amended to state that if the retirement benefits of one spouse are "excepted" from classification as marital property, then the retirement benefits of the other spouse are excepted as well, but neither spouse shall enjoy a greater exception than the other. The language of this statute is a little confusing and left open the question whether it overrode the clear language of KRS 161.700(2). As a result, it appears that for several years different Family Courts of the Commonwealth were issuing different interpretations of whether, and to what extent, teachers' retirement allowances should be considered in divorce proceedings. Most commonly, from the limited feedback received by KTRS, it appears that Family Courts either ruled that teachers' retirement allowances remained exempt from consideration in divorce proceedings given the clear language of KRS 161.700(2), or that they were subject to consideration to the extent that they exceeded the retirement benefits of the non-teacher spouse.

On September 20, 2007, the Kentucky Supreme Court rendered an opinion addressing this issue that appears to conclude that teachers' retirement allowances are at least potentially subject to

consideration in divorce proceedings due to the amendment of KRS 403.190(4) in the late 1990's. This case is Shown v. Shown, 2005-SC-000855. Any member engaged in divorce proceedings is strongly advised to have his or her attorney read this case and the governing statutes very carefully to determine whether they might apply to the individual facts and circumstances of his or her case. Court opinions often leave certain questions unanswered and are usually subject to at least some degree of interpretation. Regardless of a Court's ruling, KTRS cannot accept Qualified Domestic Relations Orders as KRS 161.700(1) prohibits the attachment or assignment of a retiree's retirement allowance except for the payment of child support or federal taxes.

Blue Ribbon Commission on Public Employees Retirement Systems

The 24-member Blue Ribbon Commission on Public Employees Retirement Systems that was established in 2007 by former Governor Fletcher to study KTRS and Kentucky Retirement Systems (KRS) held its final meeting on December 18, 2007. At this final meeting, the Commission voted on recommendations made by Gabriel Roeder Smith & Company, the actuarial firm employed to assist the Commission in discharging its mission. It is very important to remember that the Blue Ribbon Commission's role was only to provide recommendations to the Governor and the General Assembly, none of which will take effect unless they are enacted into law. Many of the Blue Ribbon Commission recommendations were included in the Governor's Pension Bill, House Bill 600, which is discussed elsewhere in this newsletter.



Keep Your Address Current!

this keeps you informed of all the late-breaking news from KTRS!!

Important Information for Year 2008 Retirees

The following answers are provided to help with often-asked questions pertaining to retirement.

If I am planning to retire this year, what should I do in preparation?

- Request KTRS Form 23 - Application for Service Retirement & packet from the KTRS office at **least 60 days before** your prospective date of retirement (*90 days for June & July retirements*). *Summer 2008 packets are available in March 2008.*
- You will be required to submit copies of your signed Social Security card and the official, certified birth certificate when you submit your retirement application.
- A copy of your official certified marriage license is required if married.
- If you select a payment option that provides a lifetime benefit to a surviving beneficiary, you will need to provide a copy of the beneficiary's official, certified birth certificate.

Does my employer need to complete any part of my retirement application?

- YES. Sections VII and VIII need to be completed and signed by your employer in order to finalize your retirement application.
Please allow sufficient time for your employer to complete these sections.

What is the deadline to file for JUNE 1st retirements?

- JUNE retirement applications must be received in the KTRS office **no later than May 1, 2008.**

What is the deadline to file for JULY 1st retirements?

- JULY retirement applications must be received in the KTRS office no later than **June 1, 2008.**

When will I receive my first check?

- To be eligible for the June effective date, retiring members must complete their employment contract and resign from their position by May 31st.
- A one-month service credit reduction will occur for June retirements. June 1st retirees will receive their first annuity payment by direct deposit on June 27th.

- July 1st retirees will receive their first annuity payment by direct deposit on July 29th. *Please be reminded that as a result of 1998 legislation, all retirement payments must be sent by Electronic Funds Transfer (EFT). Section II of the retirement application requires you to supply your financial institution information and attach your voided or cancelled check.*

If I am retiring this year, when will my medical insurance become effective through KTRS?

- Your medical insurance will be effective through KTRS on the 1st day of the month FOLLOWING the month your retirement is effective.



Your Homework for a Successful Retirement Experience!

What you will need:

- ☐ **Your KTRS Service Retirement application.**
(Form 23) (*must be completed and signed by you and your employer*).
- ☐ **A copy of your official certified birth certificate.**
- ☐ **A copy of your Social Security card.**
(*issued by the SSA and bearing its seal and your signature*).
- ☐ **A copy of your official certified marriage license.**
(*if married at the time of your retirement*)
- ☐ **A copy of your beneficiary's official certified birth certificate.**
(*if Retirement Option III, IIIA, IV or IVA is selected*).
- ☐ **And remember to submit payment for certain service credit purchases two months prior to your retirement.**
(*If you are qualifying previously purchased out-of-state service or purchasing non-standard, prior military, or out-of-state service to retire, the retirement system will calculate the amount due and notify you in writing upon receipt of your completed application.*)

Pre-Retirement Seminars

Registration
9:00 – 9:15 A.M.
(Local Time)

Seminar
9:15 A.M. – 1:00 P.M.
(Local Time)

April 19, 2008
Barren River SRP
1149 State Park Road
Lucas, KY

May 3, 2008
Erlanger-Elsmere Ind.
Lloyd High School
Dietz Auditorium
East of HIGH SCHOOL
450 Bartlet Street
Erlanger, KY

July 15, 2008
KY Dam Village SRP
In the Convention Center
Exit 27 off I-24
on US 641 & US 62
Gilbertsville, KY

**The following will be scheduled
for summer 2008:**

- Pennyrile State Park
- My Old KY Home SRP
- Rough River SRP

Please visit www.ktrs.ky.gov for REGISTRATION.

Mid-Career Workshops

Registration
5:15 P.M.
(Local Time)

Seminar
5:30 P.M. – 8:30 P.M.
(Local Time)

April 21, 2008
Breckinridge Inn
2800 Breckinridge Lane
Louisville, KY

Please watch the KTRS Website
for newly scheduled
seminars & workshops.

*Please visit www.ktrs.ky.gov
for REGISTRATION.*



